

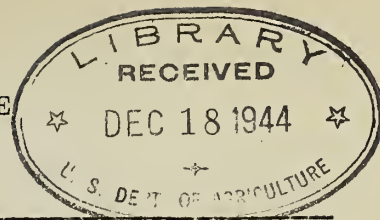
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UNITED STATES DEPARTMENT OF AGRICULTURE  
Surplus Marketing Administration



No. 8

SMA "WAR BOARD" LETTER

Wash., D.C., Feb. 9, 1942

ESTABLISHMENT OF EMERGENCY COMMODITY RESERVES in strategic sections of the country has been started by SMA. Objective of program, under direction of Distribution Division, is storage of "revolving" stocks of commodities in State welfare agency warehouses in Atlantic, Gulf, Pacific, Rocky Mountain and Lake States at no cost to SMA. The food reserves will be available for re-shipment to any State to meet an emergency or for regular normal distribution. Stocks can be drawn upon for school lunch programs if a State's current inventories of such or similar commodities are exhausted, but they must be replenished and maintained when regular school lunch supplies are made available. Thus, the program will give State relief agencies sufficient volume of commodities to keep the S-L program going at all times and at the same time provide reserves at strategic points.

Already in storage in States is a total of 400,000 cases canned pork and beans. Now stored in States on Atlantic seaboard are 90,000 cases canned tomatoes.. 175,000 cases canned grapefruit segments are now being acquired..67,000 cases evaporated milk now on hand and it is expected that at least 250,000 of authorized 400,000 cases will be stored..200,000 cases of grapefruit juice to be acquired, and at least 300,000 of an authorized 500,000 cases of canned fruits, apricots, peaches, pears and prunes. Additional commodities will be stored as they are made available to S-L program. State welfare agencies now have on hand at least 60 days' supply of wheat and graham flour and oat meal for S-L. Meanwhile authority has been issued to buy for S-L up to 1,500,000 lbs. dry skim milk, although no purchases been made yet. Also purchasing at present shell eggs for S-L. Purchases made on offer and acceptance on mid-west markets every Tuesday and Friday. About 12,000 cases taken so far, also 200 cars eggs in NY and NJ. Volume of purchases expected to be considerable as spring marketing becomes heavy. In addition to the new Commodity Reserves for Emergency program, officials point out that Lend-Lease supplies, in movement at all times, afford another emergency supply source since they could be diverted to any locality on a day's notice. State relief officials, as far as they have been heard from, are enthusiastic about the emergency storage and are gladly cooperating in program.

SIGNIFICANT TO SMA Marketing Agreement and Order programs was United States Supreme Court unanimous decision of Feb. 2 upholding right of SMA to regulate intrastate handling of milk. Decision on case brought under Chicago milk marketing order strengthens all SMA marketing agreements and orders. It set aside rulings of lower courts that Wrightwood Dairy Co. of Chicago was exempt from milk marketing order because all of its operations were confined to State of Illinois despite fact that some of its milk came into competition with interstate milk. Excerpts from decision:

"We think it clear that Congress (by the Act) conferred upon the Secretary authority to regulate the handling of intrastate products which, by reason of its competition with the handling of interstate milk, so affects that commerce as substantially to interfere with its regulation by Congress and that the statute so read is a constitutional exercise of the commerce power. \* \* \*

"As the court below recognized and as it seems not to be disputed, the marketing of intrastate milk which competes with that shipped interstate would tend seriously to break down price regulations of the latter. \* \* \*

"It is no answer to suggest, as does the respondent (Wrightwood) that the Federal power to regulate intrastate transactions is limited to those who are engaged also in interstate commerce. The injury, and hence the power, does depend upon the fortuitous circumstance that the particular person conducting the intrastate activities is, or is not, also engaged in interstate commerce.\* \*

"We conclude that the national power to regulate the price of milk moving interstate into the Chicago, Illinois, marketing area extends to such control over intrastate transactions there as is necessary and appropriate to make the regulation of the interstate commerce effective; and that it includes authority to make like regulations for the marketing of intrastate milk, whose sale and competition with interstate milk affects its price structure so as in turn to affect adversely the congressional regulation."

PURCHASE ANNOUNCEMENTS for future delivery orders of canned tomatoes and peas are now in preparation and will be mailed canners on SMA's list on Feb. 14. Canners who do not receive purchase announcement may communicate through WB's or direct to H. C. Albin, Chief, SMA Purchase Division. Announcement will instruct how offers to be made and give specifications. (See 3rd para. SMA War Board Letter of Jan. 31.)

FUTURES PURCHASE PROGRAM FOR VEGETABLE CROP SEED is now under consideration. Watch for announcement shortly after mid-February. Program will offer producers and dealers encouragement to boost production. SMA already has purchased large quantity of field and vegetable seed; over 19,000,000 lbs. of grass and clover seed and nearly 1,500,000 lbs. of vegetable seeds for home gardens.

PURCHASE PRICE OF CHEESE AND EVAPORATED MILK CUT. Not intended to mean that total milk production has been increased enough. On contrary, Department is urging further increases. Reason for lower prices: to influence utilization of milk. In 1941 emergency action was necessary to get large increases in evaporated and cheese production quickly. Marked increases in prices of these two products to way above normal relationships to butter prices were necessary to encourage quick and extensive shifts from farm-separated cream to whole milk deliveries to plants and diversion of milk to these two products. In view of problems involved, it was recognized that such shifts and diversion would be insufficient and too slow if differentials were small. On January 25 buying prices lowered 10 cents per case on evaporated milk and on January 30 the price was cut  $\frac{1}{2}$  cent per pound on American cheese. Still rather wide differentials in prices of milk used for these two products over the normal relationships to prices of butterfat in farm-separated cream. As time permitted farmers and processors to increase milk production and make arrangements for extensive shifts and diversions, as well as to establish additional facilities, it was felt that such wide differentials would not be necessary to secure needed rates of evaporated and cheese production. Unusually heavy production of American cheese is being maintained and SMA continues heavy buying. Although cheese price dropped from  $23\frac{1}{4}$  cents to  $22\frac{3}{4}$  cents a pound, the price still  $7\frac{1}{2}$  cents over prevailing price a year ago. Evaporated production also continues large and SMA purchases of evaporated milk have been averaging over one million cases weekly.

SUGGESTED READING: Administrator Hendrickson's speech at Urbana, Ill., Asst. Administrator Vaughn's speech at Atlanta and USDA release on L-L shipments improve British diet. Copies mailed.

SMA REPRESENTATIVES ON USDA WAR BOARDS: Queries or needs for spot information may be sent directly to Administrator Hendrickson, AMA, Washington, D.C.